

S.F. No. 22 – First-Generation Homebuyers Down Payment Assistance Fund

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Section 1 [First-generation homebuyers down payment assistance fund] establishes a first-generation homebuyers down payment assistance fund.

Subdivision 1 (Appropriation) appropriates \$176,000,000 from the general fund to the Housing Finance Agency for a pass-through grant to Midwest Minnesota Community Development Corporation (MMCDC).

Subdivision 2 (Establishment) establishes the fund as a pilot program to be administered by MMCDC, a community development financial institution (CDFI).

Subdivision 3 (Eligible homebuyer) defines an eligible homebuyer for the program and includes individuals who meet the following criteria:

- (1) Income is at or below 100% of AMI;
- (2) Never owned a home or owned a home lost through foreclosure;
- (3) Preapproved for first mortgage loan; and
- (4) Parent or guardian either never owned a home or owned a home lost through foreclosure.

In addition, applicants must complete a homebuyer education course and occupy the home.

Subdivision 4 (Use of funds) specifies how funds are to be used. Down payment assistance is not to exceed 10% of the purchase price of a home, with a maximum of \$32,000 per buyer. Assistance is given as a loan forgivable at a rate of 20 percent per year on the anniversary of purchase. The prorated balance is due if the home is sold, no longer occupied by the owner, is refinanced in an ineligible manner, there is an unauthorized transfer of title, or if there is a foreclosure. If there is a personal or financial hardship, the repayment can be waived. Funds can be used for closing costs, down payment, or principal reduction, and must be used with a conforming first mortgage loan. These funds may be used together with other programs.

Subdivision 5 (Administration) specifies that the program be available statewide. Although it shall be administered by MMCDC, they may authorize other CDFIs, tribal entities, and nonprofit organizations to also access these funds for the same purposes. The maximum allowable amount for administrative costs is \$3,200 per loan. Any funds recovered from early exit of the program must be returned to MMCDC for redistribution.

Subdivision 6 (Legislative auditor) states that the program is subject to audit, and MMCDC and any other participating CDFIs must cooperate with the audit.

Subdivision 7 (Report to legislature) requires MMCDC to report annually to the legislature about the loan program.